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# CITY OF WALTERS, OKLAHOMA

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ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR  
ENDED JUNE 30, 2014

**THE CITY OF WALTERS,  
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2014**

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**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2014**

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Walters, Oklahoma

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Walters, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Walters, Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

## **Basis of Accounting**

We draw your attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walters, Oklahoma basic financial statements. The Supplemental Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. The budgetary comparison information, combining non-major governmental fund statements, the combining general fund accounts schedule, the federal and state awards information and debt service coverage information.

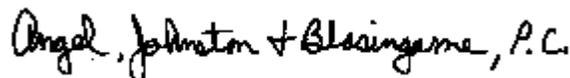
The budgetary comparison information, combining non-major governmental fund statements, the combining general fund accounts schedule, the federal and state awards information and debt service coverage information are the responsibility of management, derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the budgetary comparison information, combining non-major governmental fund statements, the combining general fund accounts schedule, the federal and state awards information and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Disclaimer of Opinion on Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walters, Oklahoma's basic financial statements. The management's discussion and analysis on pages 7-13, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma  
October 22, 2014

**CITY OF WALTERS, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

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The management of the City of Walters is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2014. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position increased by \$10,491, and the assets of the City exceed its liabilities at June 30, 2014, by \$1,247,595 (net position). Of this amount, \$63,173 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2014, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,192,578.
- At the end of fiscal year 2014, unassigned fund balance on a modified cash basis for the General Fund was \$8,419 or 1% of General Fund revenues.

### **ABOUT THE CITY**

The City of Walters is an incorporated municipality with a population of approximately 2,551 located in Cotton County in southwestern Oklahoma. The City is a Council/Manager form of government and operates under home-rule charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body; four elected by ward and one elected at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a non-attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority and Industrial Authority, certain utility services including electric, water, wastewater, and sanitation, along with industrial development.

### ***The City's Financial Reporting Entity***

This annual report includes all activities for which the City of Walters City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

**CITY OF WALTERS, OKLAHOMA**  
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The City's financial reporting entity includes the following separate legal entities.

- **The City of Walters** – an incorporated City that operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City
- **The Walters Public Works Authority (WPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the electric, water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees
- **The Walters Industrial Development Authority (WIDA)** - public trust created pursuant to 60 O.S. § 176 that promotes, develops and secures industrial development within the City, with the City Council members serving as the trustees

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

***Basis of Accounting and Presentation***

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables/payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivables resulting from cash)
- liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**CITY OF WALTERS, OKLAHOMA  
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## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Walters (the “City”), the Walters Public Works Authority (the “Public Works Authority”), and the Walters Industrial Development Authority (the “Industrial Development Authority”). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds.

### **Reporting the City as a Whole**

#### *The Statement of Net Position and Statement of Activities*

One of the most important questions to ask about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting described above and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City’s basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City typically charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City’s electric, water, wastewater, sanitation utilities and industrial development activities are reported as business-type activities.

### **Reporting the City’s Most Significant Funds - Fund Financial Statements**

#### *Fund Financial Statements*

The fund financial statements provide detailed information about the City’s most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City uses two kinds of funds – *governmental and proprietary*.

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*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

*Proprietary funds* - The City operates two proprietary funds, the Walters Public Works Authority (major fund), and the Walters Industrial Development Authority (non-major fund). When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting. The City's proprietary funds are the Walters Public Works Authority that accounts for the operation of the electric, water, wastewater, and sanitation activities, and the Walters Industrial Authority, which accounts for industrial development activity.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 25-36 of this report.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, combining and individual fund financial statements and schedules, a federal and state award schedule, and a debt service coverage requirement schedule.

#### **THE CITY AS A WHOLE**

For the year ended June 30, 2014, net position on a modified cash basis for the governmental and business-type activities increased \$10,491.

Following is a summary of net position reported on a modified cash basis for the City of Walters.

**CITY OF WALTERS, OKLAHOMA**  
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**The City of Walters' Net Position (Modified Cash Basis)**  
**June 30, 2014**

**TABLE 1**  
**NET POSITION (In Thousands)**

|                           | Governmental Activities |                 | % Inc. (Dec.) | Business-Type Activities |              | % Inc. (Dec.) | Total           |                 | % Inc. (Dec.) |
|---------------------------|-------------------------|-----------------|---------------|--------------------------|--------------|---------------|-----------------|-----------------|---------------|
|                           | 2014                    | 2013            |               | 2014                     | 2013         |               | 2014            | 2013            |               |
|                           |                         | \$              | \$            |                          | \$           | \$            |                 | \$              | \$            |
| Current assets            | 1,194                   | 1,181           | 1%            | 201                      | 180          | 12%           | 1,395           | 1,361           | 2%            |
| <b>Total assets</b>       | <b>1,194</b>            | <b>1,181</b>    | <b>1%</b>     | <b>201</b>               | <b>180</b>   | <b>12%</b>    | <b>1,395</b>    | <b>1,361</b>    | <b>2%</b>     |
| Current liabilities       | 1                       | 1               | 0%            | 146                      | 123          | -19%          | 147             | 124             | -19%          |
| <b>Total liabilities</b>  | <b>1</b>                | <b>1</b>        | <b>0%</b>     | <b>146</b>               | <b>123</b>   | <b>-19%</b>   | <b>147</b>      | <b>124</b>      | <b>-19%</b>   |
| Net position              |                         |                 |               |                          |              |               |                 |                 |               |
| Restricted                | 1,152                   | 1,145           | 1%            | 32                       | 15           | 0%            | 1,184           | 1,160           | 2%            |
| Unrestricted              | 41                      | 36              | 16%           | 23                       | 41           | 2%            | 64              | 77              | -17%          |
| <b>Total net position</b> | <b>\$ 1,193</b>         | <b>\$ 1,181</b> | <b>1%</b>     | <b>\$ 55</b>             | <b>\$ 57</b> | <b>2%</b>     | <b>\$ 1,248</b> | <b>\$ 1,237</b> | <b>1%</b>     |

The largest portion of the City's net position reflects a \$1,000,000 restricted non-expendable endowment.

**The City of Walters' Revenues, Expenses and Changes in Net Position (Modified Cash Basis)**  
**Year Ended June 30, 2014**

**TABLE 2**  
**CHANGES IN NET POSITION (In Thousands)**

|   | Governmental Activities |                 | % Inc. (Dec.) | Business-Type Activities |              | % Inc. (Dec.) | Total           |                 | % Inc. (Dec.) |
|---|-------------------------|-----------------|---------------|--------------------------|--------------|---------------|-----------------|-----------------|---------------|
|   | 2014                    | 2013            |               | 2014                     | 2013         |               | 2014            | 2013            |               |
|   |                         | \$              | \$            |                          | \$           | \$            |                 | \$              | \$            |
| <b>Revenues</b>                           |                         |                 |               |                          |              |               |                 |                 |               |
| Charges for service                       | 159                     | 135             | 18%           | 3,306                    | 3,286        | 1%            | 3,465           | 3,421           | 1%            |
| Operating grants, loans and contributions | 56                      | 27              | 107%          | 252                      | 190          | 33%           | 308             | 217             | 42%           |
| Capital grants and contributions          | -                       | 47              | -100%         | 7                        | 123          | -94%          | 7               | 170             | -96%          |
| Taxes                                     | 551                     | 551             | 0%            | -                        | -            | -             | 551             | 551             | 0%            |
| Intergovernmental revenue                 | 49                      | 48              | 2%            | -                        | -            | -             | 49              | 48              | 2%            |
| Investment income                         | 5                       | 5               | 0%            | 63                       | 63           | 0%            | 68              | 68              | 0%            |
| Miscellaneous                             | 23                      | 73              | -68%          | 19                       | 64           | -70%          | 42              | 137             | -69%          |
| <b>Total revenues</b>                     | <b>843</b>              | <b>881</b>      | <b>-4%</b>    | <b>3,647</b>             | <b>3,726</b> | <b>-2%</b>    | <b>4,490</b>    | <b>4,607</b>    | <b>-3%</b>    |
| <b>Expenses</b>                           |                         |                 |               |                          |              |               |                 |                 |               |
| General government                        | 87                      | 113             | 23%           | -                        | -            | -             | 87              | 113             | 23%           |
| Public safety                             | 558                     | 522             | -7%           | -                        | -            | -             | 558             | 522             | -7%           |
| Streets                                   | 412                     | 478             | 14%           | -                        | -            | -             | 412             | 478             | 14%           |
| Culture, parks and recreation             | 258                     | 443             | 42%           | -                        | -            | -             | 258             | 443             | 42%           |
| Cemetery                                  | 65                      | 90              | 28%           | -                        | -            | -             | 65              | 90              | 28%           |
| Airport                                   | 4                       | 66              | 94%           | -                        | -            | -             | 4               | 66              | 94%           |
| Principal on long-term debt               | 28                      | 40              | 30%           | -                        | -            | -             | 28              | 40              | 30%           |
| Interest on long-term debt                | 2                       | 2               | 0%            | -                        | -            | -             | 2               | 2               | 0%            |
| Electric                                  | -                       | -               | -             | 1,980                    | 1,927        | -3%           | 1,980           | 1,927           | -3%           |
| Water                                     | -                       | -               | -             | 624                      | 545          | -14%          | 624             | 545             | -14%          |
| Wastewater                                | -                       | -               | -             | 174                      | 174          | 0%            | 174             | 174             | 0%            |
| Sanitation                                | -                       | -               | -             | 287                      | 385          | 25%           | 287             | 385             | 25%           |
| <b>Total expenses</b>                     | <b>1,414</b>            | <b>1,754</b>    | <b>-19%</b>   | <b>3,065</b>             | <b>3,031</b> | <b>-1%</b>    | <b>4,479</b>    | <b>4,785</b>    | <b>6%</b>     |
| Excess (deficiency) before transfers      | (571)                   | (873)           | 35%           | 582                      | 695          | -16%          | 11              | (178)           | 106%          |
| Transfers                                 | 583                     | 709             | -18%          | (583)                    | (709)        | 18%           | -               | -               | -             |
| <b>Change in net position</b>             | <b>12</b>               | <b>(164)</b>    | <b>107%</b>   | <b>(1)</b>               | <b>(14)</b>  | <b>93%</b>    | <b>11</b>       | <b>(178)</b>    | <b>106%</b>   |
| <b>Beginning net position, restated</b>   | <b>1,181</b>            | <b>1,345</b>    | <b>-12%</b>   | <b>56</b>                | <b>70</b>    | <b>-20%</b>   | <b>1,237</b>    | <b>1,415</b>    | <b>-13%</b>   |
| <b>Ending net position</b>                | <b>\$ 1,193</b>         | <b>\$ 1,181</b> | <b>1%</b>     | <b>\$ 55</b>             | <b>\$ 56</b> | <b>-2%</b>    | <b>\$ 1,248</b> | <b>\$ 1,237</b> | <b>1%</b>     |

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**Governmental Activities**

The decrease in governmental activities capital grants and contributions of was due primarily to the City receiving a REAP grant in the prior year.

**Business-type Activities**

The increase in business-type operating grants, loans and contributions is due to the City receiving loan proceeds from a line of credit in the current year. The decrease in business-type activities capital grants and contributions is due to a \$78,155 CDBG grant and a \$45,000 REAP grant being received in the prior year. The increase in sewer expenses was primarily due to the City purchasing a John Deere Loader in the current year.

**TABLE 3  
Net Revenue (Expense) of Governmental Activities  
(In Thousands)**

|                               | <b>Total Expense<br/>of Services</b> |                 | <b>% Inc.<br/>(Dec.)</b> | <b>Net Revenue<br/>(Expense)<br/>of Services</b> |                  | <b>% Inc.<br/>(Dec.)</b> |
|-------------------------------|--------------------------------------|-----------------|--------------------------|--|------------------|--------------------------|
|                               | <u>2014</u>                          | <u>2013</u>     |                          | <u>2014</u>                                      | <u>2013</u>      |                          |
|                               | General government                   | \$ 87           |                          | \$ 113   | -23%             |                          |
| Public safety                 | 557                                  | 522             | 7%                       | (529)  | (471)            | 12%                      |
| Streets                       | 412                                  | 478             | -14%                     | (388)  | (455)            | -15%                     |
| Culture, parks and recreation | 258                                  | 443             | -42%                     | (166)  | (331)            | -50%                     |
| Cemetery                      | 65                                   | 90              | -28%                     | 1  | (71)             | -101%                    |
| Airport                       | 4                                    | 66              | -94%                     | (4)  | (66)             | -94%                     |
| Principal on long-term debt   | 28                                   | 40              | -30%                     | (28)   | (40)             | -30%                     |
| Interest on long-term debt    | 2                                    | 2               | -                        | (2)  | (2)              | -                        |
| <b>Total</b>                  | <u>\$ 1,413</u>                      | <u>\$ 1,754</u> | -19%                     | <u>\$(1,198)</u>                                 | <u>\$(1,544)</u> | -22%                     |

**TABLE 4  
Net Revenue (Expense) of Business-Type Activities  
(In Thousands)**

|              | <b>Total Expense<br/>of Services</b> |                 | <b>% Inc.<br/>(Dec.)</b> | <b>Net Revenue<br/>(Expense)<br/>of Services</b> |               | <b>% Inc.<br/>(Dec.)</b> |
|--------------|--------------------------------------|-----------------|--------------------------|--|---------------|--------------------------|
|              | <u>2014</u>                          | <u>2013</u>     |                          | <u>2014</u>                                      | <u>2013</u>   |                          |
|              | Electric                             | \$ 1,980        |                          | \$ 1,927   | 3%            |                          |
| Water        | 624                                  | 545             | 14%                      | 86   | 268           | -68%                     |
| Wastewater   | 174                                  | 174             | -                        | 90   | 89            | 1%                       |
| Sanitation   | 287                                  | 385             | -25%                     | 64   | (27)          | 337%                     |
| <b>Total</b> | <u>\$ 3,065</u>                      | <u>\$ 3,031</u> | 1%                       | <u>\$ 499</u>                                    | <u>\$ 568</u> | -12%                     |

**CITY OF WALTERS, OKLAHOMA  
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**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$1,192,578. For the year ended June 30, 2014, the General Fund's total fund balance increased by \$730. The proprietary funds reported a combined net position balance of \$55,017. The total net position of the Walters Public Works Authority decreased by \$3,312.

**Budgetary Highlights**

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues under final estimates by \$367,910 or a 20% negative variance. General Fund actual expenditures were under final appropriations by \$332,939 or an 18% positive variance.

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The following information outlines significant known factors that will affect subsequent year finances:

- The City will begin making a payment in the amount of \$6,000 plus interest towards the line of credit at Walters Bank and Trust.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at P.O. Box 485, Walters, Oklahoma 73572 or telephone at 580-875-3337.

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Statement of Net Position (Modified Cash Basis) – June 30, 2014**

|                                      | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>        |
|--------------------------------------|--|---|---------------------|
| <b>ASSETS</b>                        |  |   |                     |
| Cash and cash equivalents            | \$ 67,005                                | \$ 18,986                                 | \$ 85,991           |
| Restricted cash and cash equivalents | -  | 87,638                                    | 87,638              |
| Investments                          | 126,500                                  | 7,629                                     | 134,129             |
| Restricted investments               | 1,000,000                                | 87,000                                    | 1,087,000           |
| Total Assets                         | <u>1,193,505</u>                         | <u>201,253</u>                            | <u>1,394,758</u>    |
| <b>LIABILITIES</b>                   |  |   |                     |
| Due to other governments             | 633                                      | 3,805                                     | 4,438               |
| Due to depositors                    | -  | 142,431                                   | 142,431             |
| Due to bondholders                   | 294                                      | -   | 294                 |
| Total liabilities                    | <u>927</u>                               | <u>146,236</u>                            | <u>147,163</u>      |
| <b>NET POSITION</b>                  |  |   |                     |
| Restricted for:                      |  |   |                     |
| Nonexpendable endowment              | 1,000,000                                | -   | 1,000,000           |
| Cemetery                             | 148,153                                  | -   | 148,153             |
| Debt service                         | 4,062                                    | 32,207                                    | 36,269              |
| Unrestricted                         | 40,363                                   | 22,810                                    | 63,173              |
| Total net position                   | <u>\$ 1,192,578</u>                      | <u>\$ 55,017</u>                          | <u>\$ 1,247,595</u> |

See accompanying notes to these financial statements.

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2014**

| Functions/Programs  | Program Revenue  |                      |                                 |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                     |
|---|------------------|----------------------|---------------------------------|----------------------------------|---|--------------------------|---------------------|
|   | Expenses         | Charges for Services | Grants, Loans and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total               |
| <b>Primary government</b>                                     |                  |                      |                                 |                                  |   |                          |                     |
| Governmental Activities                                       |                  |                      |                                 |                                  |   |                          |                     |
| General Government  | \$ 87,112        | \$ 3,682             | \$ 644                          | \$ -                             | \$ (82,786)                                       | \$ -                     | \$ (82,786)         |
| Public Safety   | 557,296          | 23,655               | 4,474                           | -                                | (529,167)   | -                        | (529,167)           |
| Highways and streets  | 412,231          | -                    | 24,409                          | -                                | (387,822)   | -                        | (387,822)           |
| Culture and Recreation  | 258,150          | 76,993               | 14,985                          | -                                | (166,172)   | -                        | (166,172)           |
| Cemetery  | 64,791           | 54,900               | 11,025                          | -                                | 1,134   | -                        | 1,134               |
| Airport   | 4,327            | -                    | -                               | -                                | (4,327)   | -                        | (4,327)             |
| Principal on Long-term debt                                   | 28,206           | -                    | -                               | -                                | (28,206)  | -                        | (28,206)            |
| Interest on Long-term debt                                    | 1,534            | -                    | -                               | -                                | (1,534)   | -                        | (1,534)             |
| Total governmental activities                                 | <u>1,413,647</u> | <u>159,230</u>       | <u>55,537</u>                   | <u>-</u>                         | <u>(1,198,880)</u>                                | <u>-</u>                 | <u>(1,198,880)</u>  |
| Business-type activities:                                     |                  |                      |                                 |                                  |   |                          |                     |
| Electric  | 1,979,841        | 2,239,339            | -                               | -                                | -   | 259,498                  | 259,498             |
| Water   | 624,267          | 452,385              | 252,115                         | 6,400                            | -   | 86,633                   | 86,633              |
| Wastewater  | 173,708          | 263,575              | -                               | -                                | -   | 89,867                   | 89,867              |
| Sanitation  | 286,810          | 350,409              | -                               | -                                | -   | 63,599                   | 63,599              |
| Total business-type activities                                | <u>3,064,626</u> | <u>3,305,708</u>     | <u>252,115</u>                  | <u>6,400</u>                     | <u>-</u>  | <u>499,597</u>           | <u>499,597</u>      |
| Total primary government                                      | <u>4,478,273</u> | <u>3,464,938</u>     | <u>307,652</u>                  | <u>6,400</u>                     | <u>(1,198,880)</u>                                | <u>499,597</u>           | <u>(699,283)</u>    |
| <b>General revenues:</b>                                      |                  |                      |                                 |                                  |   |                          |                     |
| Taxes:  |                  |                      |                                 |                                  |   |                          |                     |
| Sales and use taxes   |                  |                      |                                 |                                  | \$ 533,454  | \$ -                     | \$ 533,454          |
| Franchise taxes and public service taxes                      |                  |                      |                                 |                                  | 18,039  | -                        | 18,039              |
| Intergovernmental revenue not restricted to specific programs |                  |                      |                                 |                                  | 48,910  | -                        | 48,910              |
| Unrestricted investment earnings                              |                  |                      |                                 |                                  | 4,712   | 62,675                   | 67,387              |
| Miscellaneous   |                  |                      |                                 |                                  | 23,206  | 18,778                   | 41,984              |
| Transfers   |                  |                      |                                 |                                  | 582,554   | (582,554)                | -                   |
| Total general revenues and transfers                          |                  |                      |                                 |                                  | <u>1,210,875</u>                                  | <u>(501,101)</u>         | <u>709,774</u>      |
| Change in net position  |                  |                      |                                 |                                  | 11,995  | (1,504)                  | 10,491              |
| Net position - beginning                                      |                  |                      |                                 |                                  | 1,180,583   | 56,521                   | 1,237,104           |
| Net position - ending   |                  |                      |                                 |                                  | <u>\$ 1,192,578</u>                               | <u>\$ 55,017</u>         | <u>\$ 1,247,595</u> |

See accompanying notes to these financial statements.

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2014**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2014**

|                                      | <u>General Fund</u> | <u>Graham Trust Fund</u> | <u>Cemetery Permanent Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---------------------|--------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>ASSETS</b>                        |                     |                          |                                |                                 |                                 |
| Cash and cash equivalents            | \$ 13,722           | \$ 29,634                | \$ 19,487                      | \$ 4,162                        | \$ 67,005                       |
| Investments                          | -                   | -                        | 126,500                        | -                               | 126,500                         |
| Restricted investments               | -                   | 1,000,000                | -                              | -                               | 1,000,000                       |
| Due from other funds                 | -                   | -                        | 2,166                          | -                               | 2,166                           |
| Total assets                         | <u>13,722</u>       | <u>1,029,634</u>         | <u>148,153</u>                 | <u>4,162</u>                    | <u>1,195,671</u>                |
| <b>LIABILITIES AND FUND BALANCES</b> |                     |                          |                                |                                 |                                 |
| Liabilities:                         |                     |                          |                                |                                 |                                 |
| Due to other funds                   | 2,166               | -                        | -                              | -                               | 2,166                           |
| Due to other governments             | 633                 | -                        | -                              | -                               | 633                             |
| Total liabilities                    | <u>3,093</u>        | <u>-</u>                 | <u>-</u>                       | <u>-</u>                        | <u>3,093</u>                    |
| Fund balances:                       |                     |                          |                                |                                 |                                 |
| Nonspendable:                        |                     |                          |                                |                                 |                                 |
| Nonexpendable permanent endowment    | -                   | 1,000,000                | -                              | -                               | 1,000,000                       |
| Restricted:                          |                     |                          |                                |                                 |                                 |
| Cemetery                             | -                   | -                        | 148,153                        | -                               | 148,153                         |
| Debt service                         | -                   | -                        | -                              | 4,062                           | 4,062                           |
| Assigned                             | 2,210               | -                        | -                              | 100                             | 2,310                           |
| Unassigned                           | 8,419               | 29,634                   | -                              | -                               | 38,053                          |
| Total fund balances                  | <u>10,629</u>       | <u>1,029,634</u>         | <u>148,153</u>                 | <u>4,162</u>                    | <u>1,192,578</u>                |
| Total liabilities and fund balances  | <u>\$ 13,722</u>    | <u>\$ 1,029,634</u>      | <u>\$ 148,153</u>              | <u>\$ 4,162</u>                 | <u>\$ 1,195,671</u>             |

See accompanying notes to these financial statements.

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**(Modified Cash Basis) – Year Ended June 30, 2014**

|   | <u>General Fund</u> | <u>Graham Trust Fund</u> | <u>Cemetery Permanent Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|--------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>REVENUES</b>                                   |                     |                          |                                |                                 |                                 |
| Taxes   | \$ 551,493          | \$ -                     | \$ -                           | \$ -                            | \$ 551,493                      |
| Intergovernmental                                 | 85,212              | -                        | -                              | -                               | 85,212                          |
| Charges for services                              | 136,451             | -                        | 6,975                          | -                               | 143,426                         |
| Fines and forfeitures                             | 12,707              | -                        | -                              | -                               | 12,707                          |
| Licenses and permits                              | 3,274               | -                        | -                              | -                               | 3,274                           |
| Investment income                                 | 630                 | 4,044                    | 31                             | 7                               | 4,712                           |
| Miscellaneous                                     | 42,264              | -                        | -                              | -                               | 42,264                          |
| Total revenues                                    | <u>832,031</u>      | <u>4,044</u>             | <u>7,006</u>                   | <u>7</u>                        | <u>843,088</u>                  |
| <b>EXPENDITURES</b>                               |                     |                          |                                |                                 |                                 |
| General government                                | 87,112              | -                        | -                              | -                               | 87,112                          |
| Public Safety                                     | 549,779             | -                        | -                              | -                               | 549,779                         |
| Highway and streets                               | 389,598             | -                        | -                              | -                               | 389,598                         |
| Culture and recreation                            | 256,251             | -                        | -                              | -                               | 256,251                         |
| Cemetery  | 64,791              | -                        | -                              | -                               | 64,791                          |
| Airport   | 4,327               | -                        | -                              | -                               | 4,327                           |
| Capital Outlay                                    | 32,049              | -                        | -                              | -                               | 32,049                          |
| Debt Service:                                     |                     |                          |                                |                                 |                                 |
| Principal   | 13,473              | -                        | -                              | 14,733                          | 28,206                          |
| Interest and other charges                        | 1,110               | -                        | -                              | 424                             | 1,534                           |
| Total Expenditures                                | <u>1,398,490</u>    | <u>-</u>                 | <u>-</u>                       | <u>15,157</u>                   | <u>1,413,647</u>                |
| Excess (deficiency) of revenues over expenditures | <u>(566,459)</u>    | <u>4,044</u>             | <u>7,006</u>                   | <u>(15,150)</u>                 | <u>(570,559)</u>                |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                          |                                |                                 |                                 |
| Transfers in                                      | 736,573             | -                        | -                              | 15,365                          | 751,938                         |
| Transfers out                                     | (169,384)           | -                        | -                              | -                               | (169,384)                       |
| Total other financing sources and uses            | <u>567,189</u>      | <u>-</u>                 | <u>-</u>                       | <u>15,365</u>                   | <u>582,554</u>                  |
| Net change in fund balances                       | 730                 | 4,044                    | 7,006                          | 215                             | 11,995                          |
| Fund balances - beginning                         | 9,899               | 1,025,590                | 141,147                        | 3,947                           | 1,180,583                       |
| Fund balances - ending                            | <u>\$ 10,629</u>    | <u>\$ 1,029,634</u>      | <u>\$ 148,153</u>              | <u>\$ 4,162</u>                 | <u>\$ 1,192,578</u>             |

See accompanying notes to these financial statements.

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2014**

|                                      | <u>Major<br/>Enterprise Fund</u>          | <u>Non-major<br/>Enterprise Fund</u>                        |                                   |
|--------------------------------------|---|---|-----------------------------------|
|                                      | <u>Walters Public<br/>Works Authority</u> | <u>Walters<br/>Industrial<br/>Development<br/>Authority</u> | <u>Total Enterprise<br/>Funds</u> |
| <b>ASSETS</b>                        |   |   |                                   |
| Cash and cash equivalents            | \$ 5,147                                  | \$ 13,839   | \$ 18,986                         |
| Investments                          | -   | 7,629   | 7,629                             |
| Restricted:                          |   |   |                                   |
| Restricted cash and cash equivalents | 87,638                                    | -   | 87,638                            |
| Restricted investments               | 87,000                                    | -   | 87,000                            |
| Total assets                         | <u>179,785</u>                            | <u>21,468</u>   | <u>201,253</u>                    |
| <b>LIABILITIES</b>                   |   |   |                                   |
| Due to other governments             | 3,805                                     | -   | 3,805                             |
| Deposits subject to refund           | 142,431                                   | -   | 142,431                           |
| Total liabilities                    | <u>146,236</u>                            | <u>-</u>  | <u>146,236</u>                    |
| <b>NET POSITION</b>                  |   |   |                                   |
| Restricted for debt service          | 32,207                                    | -   | 32,207                            |
| Unrestricted                         | 1,342                                     | 21,468  | 22,810                            |
| Total net position                   | <u>\$ 33,549</u>                          | <u>\$ 21,468</u>  | <u>\$ 55,017</u>                  |

See accompanying notes to these financial statements.

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2014**

|  | <u>Major<br/>Enterprise Fund</u>          | <u>Non-major<br/>Enterprise Fund<br/>Walters<br/>Industrial<br/>Development<br/>Authority</u> | <u>Total Enterprise<br/>Funds</u> |
|--|---|---|-----------------------------------|
|  | <u>Walters Public<br/>Works Authority</u> |   |                                   |
| <b>OPERATING REVENUES</b>                |   |   |                                   |
| Electric                                 | \$ 2,224,803                              | \$ -  | \$ 2,224,803                      |
| Water                                    | 449,448                                   | -   | 449,448                           |
| Sewer                                    | 261,864                                   | -   | 261,864                           |
| Sanitation                               | 348,135                                   | -   | 348,135                           |
| Miscellaneous                            | 21,458                                    | -   | 21,458                            |
| Total operating revenues                 | <u>3,305,708</u>                          | <u>-</u>  | <u>3,305,708</u>                  |
| <b>OPERATING EXPENSES</b>                |   |   |                                   |
| Electric                                 | 1,632,989                                 | -   | 1,632,989                         |
| Water                                    | 365,296                                   | -   | 365,296                           |
| Sewer                                    | 73,031                                    | -   | 73,031                            |
| Sanitation                               | 197,109                                   | -   | 197,109                           |
| General government                       | 506,498                                   | -   | 506,498                           |
| Total operating expenses                 | <u>2,774,923</u>                          | <u>-</u>  | <u>2,774,923</u>                  |
| Operating income                         | <u>530,785</u>                            | <u>-</u>  | <u>530,785</u>                    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |   |   |                                   |
| Investment income                        | 62,617                                    | 58  | 62,675                            |
| Loan proceeds                            | 252,115                                   | -   | 252,115                           |
| Grant revenue                            | 6,400                                     | -   | 6,400                             |
| Miscellaneous revenue                    | 17,028                                    | 1,750   | 18,778                            |
| Debt Service:                            |   |   |                                   |
| Principal                                | (236,419)                                 | -   | (236,419)                         |
| Interest and other charges               | (53,284)                                  | -   | (53,284)                          |
| Total net non-operating revenue          | <u>48,457</u>                             | <u>1,808</u>  | <u>50,265</u>                     |
| Income before transfers                  | <u>579,242</u>                            | <u>1,808</u>  | <u>581,050</u>                    |
| Transfers in                             | 169,384                                   | -   | 169,384                           |
| Transfers out                            | (751,938)                                 | -   | (751,938)                         |
| Change in net position                   | <u>(3,312)</u>                            | <u>1,808</u>  | <u>(1,504)</u>                    |
| Total net position - beginning           | <u>36,861</u>                             | <u>19,660</u>   | <u>56,521</u>                     |
| Total net position - ending              | <u>\$ 33,549</u>                          | <u>\$ 21,468</u>  | <u>\$ 55,017</u>                  |

See accompanying notes to these financial statements.

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2014**

|   | <u>Major<br/>Enterprise Fund</u>          | <u>Non-major<br/>Enterprise Fund</u>        |                   |
|---|---|---|-------------------|
|   | <u>Walters Public<br/>Works Authority</u> | <u>Walters<br/>Industrial<br/>Authority</u> | <u>Total</u>      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |   |                   |
| Receipts from customers   | \$ 3,305,708                              | \$ -  | \$ 3,305,708      |
| Payments to suppliers   | (2,054,048)                               | -   | (2,054,048)       |
| Payments to employees   | (720,875)                                 | -   | (720,875)         |
| Interfund receipts/payments   | 1,315                                     | -   | 1,315             |
| Receipts of customer meter deposits   | 51,040                                    | -   | 51,040            |
| Refunds of customer meter deposits  | (29,198)                                  | -   | (29,198)          |
| Other receipts  | 23,428                                    | 1,750                                       | 25,178            |
| <b>Net cash provided by operating activities</b>  | <u>577,370</u>                            | <u>1,750</u>                                | <u>579,120</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                  |   |   |                   |
| Transfers from other funds  | 169,384                                   | -   | 169,384           |
| Transfers to other funds  | (751,938)                                 | -   | (751,938)         |
| <b>Net cash provided by (used in) noncapital financing activities</b>                   | <u>(582,554)</u>                          | <u>-</u>                                    | <u>(582,554)</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |   |   |                   |
| Proceeds from debt  | 252,115                                   | -   | 252,115           |
| Principal paid on debt  | (236,419)                                 | -   | (236,419)         |
| Interest and fiscal agent fees paid on debt   | (53,284)                                  | -   | (53,284)          |
| <b>Net cash provided by (used in) capital and related financing activities</b>          | <u>(37,588)</u>                           | <u>-</u>                                    | <u>(37,588)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |   |                   |
| Purchase of investments   | -   | (38)  | (38)              |
| Interest and dividends  | 62,617                                    | 58  | 62,675            |
| <b>Net cash provided by investing activities</b>  | <u>62,617</u>                             | <u>20</u>                                   | <u>62,637</u>     |
| <b>Net increase in cash and cash equivalents</b>  | 19,845                                    | 1,770                                       | 21,615            |
| <b>Balances - beginning of year</b>   | <u>72,940</u>                             | <u>12,069</u>                               | <u>85,009</u>     |
| <b>Balances - end of year</b>   | <u>\$ 92,785</u>                          | <u>\$ 13,839</u>                            | <u>\$ 106,624</u> |
| <b>Reconciliation to Statement of Net Position:</b>                                     |   |   |                   |
| Cash and cash equivalents   | 5,147                                     | 13,839                                      | 18,986            |
| Restricted cash and cash equivalents  | 87,638                                    | -   | 87,638            |
| <b>Total cash and cash equivalents, end of year</b>                                     | <u>92,785</u>                             | <u>13,839</u>                               | <u>106,624</u>    |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |   |   |                   |
| Operating income  | \$ 530,785                                | \$ -  | \$ 530,785        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |   |   |                   |
| Miscellaneous revenue   | 23,428                                    | 1,750                                       | 25,178            |
| Change in assets and liabilities:   |   |   |                   |
| Due to other governments  | 1,315                                     | -   | 1,315             |
| Deposits subject to refund  | 21,842                                    | -   | 21,842            |
| <b>Net cash provided by operating activities</b>  | <u>\$ 577,370</u>                         | <u>\$ 1,750</u>                             | <u>\$ 579,120</u> |

See accompanying notes to these financial statements.

**CITY OF WALTERS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2014**

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Walters) and two component units.

- **The City of Walters**– that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Walters Public Works Authority** – that operates the electric, water, wastewater and sanitation services of the City
- **The City of Walters Industrial Development Authority** – that promotes, develops and secures industrial development within the City

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including electric, water, wastewater, and sanitation, and industrial development activities.

Both component units (Authorities) have the City Council as their governing body (trustees) and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

In determining the financial reporting entity, the City fully complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus" that requires all component units of which the City is financially accountable be included in the financial report.

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authorities. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash

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equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits, mowing fees, operating grants and contributions
- Public safety: Fine revenue, impound fees, fire runs and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Culture and recreation: Golf course and swimming pool rentals and fees
- Cemetery: Sale of lots and interments and operating contributions

*Governmental Funds:*

The City's governmental funds are comprised of the following:

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Graham Trust Fund – a permanent fund that accounts for an irrevocable certificate of deposit donated to the City for use of interest earnings as deemed by the City Council
- Cemetery Permanent Fund – a capital project fund that accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements

**Non-Major Funds (Reported as Other Governmental Funds):**

- CDBG Fund – accounts for grant revenues and expenditures related to CDBG grants. This fund is currently inactive as no CDBG funds were received during FY 13-14.
- Capital Outlay Fund – a debt service fund that accounts for \$1 meter charge assessed for fire truck capital lease obligation

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The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

*Proprietary Funds:*

The City's proprietary funds are comprised of the following:

**Major Fund:**

- Walters Public Works Authority (WPWA) – accounts for the operation of the electric, water, wastewater, and sanitation activities

**Non-Major Fund:**

- Walters Industrial Development Authority (WIDA) – accounts for industrial development activities

The proprietary funds are reported on a modified cash basis, as defined above.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

**D. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 7.

**E. Fund Balances and Net Position**

*Fund Balances:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

*Net Position:*

Net Position is displayed in two components:

- b. *Restricted* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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**F. Internal and Interfund Balances and Transfers**

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

**2. Deposits and Investments**

For the year ended June 30, 2014, the City recognized \$67,387 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2014, the primary government held the following deposits and investments:

| <u>Type</u>   | <u>Maturities</u> | <u>Credit<br/>Rating</u> | <u>Carrying<br/>Value</u>  |
|---|-------------------|--------------------------|----------------------------|
| <b>Deposits:</b>                                    |                   |                          |                            |
| Petty cash  |                   |                          | \$ 1,709                   |
| Demand deposits                                     |                   |                          | 158,179                    |
| Time deposits                                       |                   |                          | 1,221,129                  |
| Money market mutual funds:                          |                   |                          |                            |
| Cavalan Hill U.S. Treasury - Admin fund             | N/A               | AAAm                     | 13,741                     |
|   |                   |                          | <u>\$ 1,394,758</u>        |
| <b>Total deposits and investments</b>               |                   |                          | <u><u>\$ 1,394,758</u></u> |
| <b>Reconciliation to Statement of Net Position:</b> |                   |                          |                            |
| Cash and cash equivalents                           |                   |                          | \$ 85,991                  |
| Restricted cash and cash equivalents                |                   |                          | 87,638                     |
| Investments   |                   |                          | 134,129                    |
| Restricted investments                              |                   |                          | 1,087,000                  |
|   |                   |                          | <u>\$ 1,394,758</u>        |

*Custody Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2014, the City was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2014, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

*Concentration of Investment Credit Risk* - the City places no limit on the amount it may invest in any one issuer.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2014 are as follows:

| <u>Type of Restricted Asset</u> | <u>Cash and cash<br/>equivalents</u> | <u>Investments</u>  |
|---------------------------------|--------------------------------------|---------------------|
| Utility Deposits                | \$ 72,431                            | \$ 70,000           |
| OWRB Debt Service               | 13,741                               | -                   |
| UDAG Savings                    | 1,466                                | -                   |
| UDAG CD                         | -                                    | 17,000              |
| Graham Trust                    | -                                    | 1,000,000           |
| Total                           | <u>\$ 87,638</u>                     | <u>\$ 1,087,000</u> |

### **3. Sales Tax Revenue**

Sales tax revenue represents a 3 cent tax on each dollar of taxable sales of which 1 cent is pledged and transferred to the Walters Public Works Authority and used to secure debt payments.

### **4. Internal Balances and Transfers Between Legal Entities**

Internal balances between fund and legal entities are comprised of the following:

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| <u>Due From</u> | <u>Due To</u>           | <u>Amount</u>   | <u>Nature of Balance</u>        |
|-----------------|-------------------------|-----------------|---------------------------------|
| General Fund    | Cemetery Permanent Fund | \$ 2,166        | Reimburse cemetery revenue owed |
| Total           |                         | <u>\$ 2,166</u> |                                 |

**Reconciliation to Fund Financial Statements:**

|                    | <u>Due From</u> | <u>Due To</u>     | <u>Net Internal Balances</u> |
|--------------------|-----------------|-------------------|------------------------------|
| Governmental Funds | \$ 2,166        | \$ (2,166)        | \$ -                         |
| Total              | <u>\$ 2,166</u> | <u>\$ (2,166)</u> | <u>\$ -</u>                  |

Transfers between funds and legal entities are comprised of the following:

| <u>Transfer From</u> | <u>Transfer To</u>  | <u>Amount</u>     | <u>Purpose of Transfer</u>              |
|----------------------|---------------------|-------------------|---|
| General Fund         | WPWA                | \$ 169,384        | Sales tax transfer                      |
| WPWA                 | General Fund        | 535,000           | Operational subsidy                     |
| WPWA                 | General Fund        | 169,384           | Return of sales tax transfer            |
| WPWA                 | General Fund        | 15,618            | Transfer revenues for employee benefits |
| WPWA                 | General Fund        | 9,531             | Debt payments                           |
| WPWA                 | Capital Outlay Fund | 15,365            | Reclass water meter revenue             |
| WPWA                 | Cemetery Fund       | 6,000             | Operational subsidy                     |
| WPWA                 | Cemetery Fund       | 1,040             | To reclass cemetery revenues            |
| Total                |                     | <u>\$ 921,322</u> |   |

**Reconciliation to Fund Financial Statements:**

|                    | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Net Transfers</u> |
|--------------------|---------------------|----------------------|----------------------|
| Governmental Funds | \$ 751,938          | \$ (169,384)         | \$ 582,554           |
| Proprietary Funds  | 169,384             | (751,938)            | (582,554)            |
|                    | <u>\$ 921,322</u>   | <u>\$ (921,322)</u>  | <u>\$ -</u>          |

## 5. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Building and Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers' Compensation – Workers' compensation is covered through Oklahoma Municipal Assurance Group.
- Employee's Group Health and Life – Health covered through participation in Blue Cross/Blue Shield and life is with Mutual of Omaha.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

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**6. Retirement Plan Participation**

The City participates in two employee retirement plans:

*Oklahoma State Firefighters Pension System*

Pursuant to the requirements of Title 11, section 22-102, the City of Walters participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan, while the City is required by state law to contribute 14% per year per firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's obligation to fund the plan extends only to making the statutorily required contributions.

Contributions for the last three years were as follows:

| <u>Fiscal Year</u> | <u>Required<br/>Contribution</u> | <u>Amount<br/>Contributed</u> |
|--------------------|----------------------------------|-------------------------------|
| 2012               | \$ 15,556                        | \$ 15,556                     |
| 2013               | 16,088                           | 16,088                        |
| 2014               | 17,094                           | 17,094                        |

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

*Principal Mutual Life Defined Contribution Plan*

The City provides a pension benefit for all of its full-time employees with the exception of the fire department, through a defined contribution plan. The plan is administered by the City and plan assets are supervised by Principal Mutual Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months from the date of employment. Employee contributions were equal to an amount not less than 4% and not to exceed 10% of total earnings with employer contributions equal to 7.7% of the employee's total salary each month. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after six years continuous service. The authority to establish and amend the provisions of the Plan rests with the City Council.

Contributions for the last three years were as follows:

| <u>Fiscal Year</u> | <u>Employee<br/>Contribution</u> | <u>Employer<br/>Contribution</u> |
|--------------------|----------------------------------|----------------------------------|
| 2012               | \$ 39,256                        | \$ 58,629                        |
| 2013               | 45,443                           | 64,378                           |
| 2014               | 53,778                           | 70,359                           |

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**7. Commitments and Contingencies**

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

| <u>Type of Debt</u>              | <u>Balance<br/>July 01, 2013</u> | <u>Additions</u>  | <u>Deductions</u> | <u>Balance<br/>June 30, 2014</u> | <u>Due Within<br/>One Year</u> |
|----------------------------------|----------------------------------|-------------------|-------------------|----------------------------------|--------------------------------|
| <b>Governmental Activities:</b>  |                                  |                   |                   |                                  |                                |
| Capital lease payable            | \$ 21,323                        | \$ -              | \$ 19,644         | \$ 1,679                         | 1,679                          |
| Notes payable                    | 25,306                           | -                 | 8,563             | 16,743                           | 8,961                          |
| Total Governmental Activities    | <u>\$ 46,629</u>                 | <u>\$ -</u>       | <u>\$ 28,207</u>  | <u>\$ 18,422</u>                 | <u>\$ 10,640</u>               |
| <b>Business-Type Activities:</b> |                                  |                   |                   |                                  |                                |
| Notes payable                    | \$ 906,481                       | \$ 221,415        | \$ 198,576        | \$ 929,320                       | 232,959                        |
| Capital lease payable            | 6,173                            | 30,700            | 12,326            | 24,547                           | 7,534                          |
| Contracts payable                | 692,500                          | -                 | 25,797            | 666,703                          | 26,132                         |
| Total Business-Type Activities   | <u>1,605,154</u>                 | <u>252,115</u>    | <u>236,699</u>    | <u>1,620,570</u>                 | <u>266,625</u>                 |
| Total Long-Term Debt             | <u>\$ 1,651,783</u>              | <u>\$ 252,115</u> | <u>\$ 264,906</u> | <u>\$ 1,638,992</u>              | <u>\$ 277,265</u>              |

*Governmental Activities:*

At June 30, 2014, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Lease Obligations Payable

Lease obligation for purchase of fire truck, payable in 120 monthly installments of \$1,684, interest of 4.56%.

Total Capital Leases Payable     \$           1,679

Long-Term Note Commitments

Note Payable to Walters Bank & Trust, dated April 15, 2013, original amount \$26,700 with annual interest rate of 4.5%, due in monthly installments of \$9,531 beginning May 15, 2013, final installment due April 15, 2016, secured with a property mortgage and payable from WPWA resources

Total Notes Payable             \$           16,743

*Business-Type Activities:*

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to City's business-type activities at June 30, 2014, includes the following:

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Long-Term Note Commitments

|   |                   |
|---|-------------------|
| OWRB Promissory Note dated December 23, 2009, original amount \$1,326,407, due in semi-annual principal installments of \$53,533 each March 15 and September 15, final installment due September 2030, interest rate of 2.21%. The note is secured by a pledge of net utility revenues, certain sales tax revenues, and a mortgage on the facilities. | \$ 706,219        |
| Note payable to Welch State Bank, original amount of \$112,369, payable in monthly installments of \$2,483 with a 2.9% interest rate, final payment due April 2016.   | 53,129            |
| Note payable to Walters Bank and Trust, original amount of \$200,020, 5% interest payable monthly, with final payment of principal and interest due February 2015.  | 169,972           |
| <b>Total Notes Payable</b>  | <b>\$ 929,320</b> |

Capital Lease Obligations Payable

|  |                  |
|--|------------------|
| Lease obligation for purchase of 2011 John Deere Trac Loader, original amount of \$30,700, payable in monthly installments of \$676 with a 2.72% interest rate, final payment due August 2017. | \$ 24,547        |
| <b>Total Capital Leases Payable</b>  | <b>\$ 24,547</b> |

Contracts Payable

|   |                   |
|---|-------------------|
| Contract payable to the Waurika Project Master Conservancy District, original amount of \$110,423, for use of water facility, payable in 50 annual installments of \$5,155, final maturity in November 2026. Contract is secured by water revenues of the WPWA.         | \$ 49,999         |
| Contract payable to the Waurika Project Master Conservancy District, original amount of \$401,713, for use of water facility, payable in 25 annual installments of \$26,622, final maturity in October 2035. Contract is secured by water revenues of the WPWA.         | 357,765           |
| Contract payable to the Waurika Project Master Conservancy District, original amount of \$498,919 for use of water conveyance facility, Payable in 50 annual installments of \$20,422, final maturity in March 2031. Contract is secured by water revenues of the WPWA. | 258,939           |
| <b>Total Contracts Payable</b>  | <b>\$ 666,703</b> |

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Long-term debt service requirements to maturity are as follows:

| Year Ended<br>June 30, | Governmental  |          |               |          |
|------------------------|---------------|----------|---------------|----------|
|                        | Capital Lease |          | Notes Payable |          |
|                        | Principal     | Interest | Principal     | Interest |
| 2015                   | \$1,679       | \$6      | \$8,961       | \$570    |
| 2016                   | -             | -        | 7,782         | 162      |
| Total                  | \$1,679       | \$6      | \$16,743      | \$732    |

| Year Ended<br>June 30, | Business-Type |           |               |          |           |           |
|------------------------|---------------|-----------|---------------|----------|-----------|-----------|
|                        | Notes Payable |           | Capital Lease |          | Contracts |           |
|                        | Principal     | Interest  | Principal     | Interest | Principal | Interest  |
| 2015                   | \$232,959     | \$28,837  | \$7,534       | \$577    | \$26,132  | \$25,805  |
| 2016                   | 59,765        | 18,598    | 7,741         | 370      | 26,911    | 25,057    |
| 2017                   | 36,286        | 17,247    | 7,956         | 155      | 27,636    | 24,286    |
| 2018                   | 37,291        | 16,243    | 1,316         | 5        | 28,450    | 23,493    |
| 2019                   | 38,322        | 15,212    | -             | -        | 29,569    | 22,294    |
| 2020-2024              | 208,045       | 59,622    | -             | -        | 163,960   | 95,188    |
| 2025-2029              | 238,516       | 29,152    | -             | -        | 185,642   | 62,583    |
| 2030-2034              | 78,136        | 2,163     | -             | -        | 153,518   | 27,198    |
| 2035                   | -             | -         | -             | -        | 24,885    | 1,275     |
| Total                  | \$929,320     | \$187,074 | \$24,547      | \$1,107  | \$666,703 | \$307,179 |

**Pledge of Future Revenues**

**Sales Tax and Utility Net Revenues Pledge** - The City has pledged one cent (or 33.3%) of future sales tax revenue and utility revenues to repay the \$1,326,407 Series 2009 OWRB Promissory Notes. Proceeds from the notes provided financing for capital assets. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2030. The total principal and interest payable for the remainder of the life of the notes is \$883,302. Pledged sales taxes (one cent) received in the current year were \$169,384 and net utility revenues (not including investment income) were \$530,785. Debt service payments of \$53,533 for the current fiscal year were 7.6% of both pledged sales taxes and net utility revenues of \$700,169.

**Utility Net Revenues Pledge** - The City has pledged future net water utility revenues to repay the \$1,011,055 Waurika Project Master Conservancy District contracts payable. Proceeds from the contracts provided financing for capital assets. The contracts are payable from net water revenues and are payable through 2035. The total principal and interest payable for the remainder of the life of these contracts is \$973,882. Net water utility revenues were \$84,152. Debt service payments of \$51,370 for the current fiscal year were 61% of net water utility revenues.

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*Compensated Absences:*

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2014, is summarized as follows:

- City – Accrued compensated absences \$141,374
- WPWA – Accrued compensated absences \$223,251

*Litigation:*

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

*Federal and State Award Programs:*

The City of Walters participates in various federal or state grant/loan programs from year to year. In 2014, the City's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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**SUPPLEMENTAL AND OTHER INFORMATION**

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**Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2014**

| City of Walters<br>Budget and Actual (with Variances)<br>General Fund |                         |                  |  |   |
|---|-------------------------|------------------|--|---|
|   | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts,<br/>Budgetary Basis</u> | <u>Variance with<br/>Final Budget -<br/>Positive (Negative)</u> |
|   | <u>Original</u>         | <u>Final</u>     |  |   |
| <b>Beginning Budgetary Fund Balance</b>                               | \$ -                    | \$ -             | \$ 11,795                                  | \$ 11,795   |
| <b>Resources (Inflows)</b>  |                         |                  |  |   |
| Taxes   | 539,410                 | 539,410          | 551,493                                    | 12,083  |
| Intergovernmental   | 323,169                 | 323,169          | 85,212                                     | (237,957)   |
| Charges for services  | 87,225                  | 87,225           | 88,526                                     | 1,301   |
| Fines and forfeitures   | 11,093                  | 11,093           | 12,707                                     | 1,614   |
| Licenses and permits  | 2,113                   | 2,113            | 3,274                                      | 1,161   |
| Investment income   | -                       | -                | 5  | 5   |
| Miscellaneous   | 17,303                  | 17,303           | 31,239                                     | 13,936  |
| Transfers in  | 889,586                 | 889,586          | 720,002                                    | (169,584)   |
| <b>Total Resources</b>  | <u>1,869,899</u>        | <u>1,869,899</u> | <u>1,492,458</u>                           | <u>(377,441)</u>  |
| <b>Amounts Available for Appropriation</b>                            | <u>1,869,899</u>        | <u>1,869,899</u> | <u>1,504,253</u>                           | <u>(365,646)</u>  |
| <b>Charges to Appropriations (Outflows)</b>                           |                         |                  |  |   |
| Police  | 272,917                 | 304,918          | 303,694                                    | 1,224   |
| Fire  | 268,159                 | 271,160          | 258,654                                    | 12,506  |
| Streets   | 495,759                 | 495,760          | 412,231                                    | 83,529  |
| Parks   | 41,080                  | 49,342           | 48,471                                     | 871   |
| General government  | 250,095                 | 318,311          | 87,112                                     | 231,199   |
| Library   | 51,545                  | 58,545           | 58,167                                     | 378   |
| Airport   | 4,076                   | 4,376            | 4,327                                      | 49  |
| Golf course   | 152,226                 | 164,226          | 151,512                                    | 12,714  |
| Transfers out   | -                       | 169,384          | 169,384                                    | -   |
| <b>Total Charges to Appropriations</b>                                | <u>1,535,857</u>        | <u>1,836,022</u> | <u>1,493,552</u>                           | <u>342,470</u>  |
| <b>Fund balances - ending</b>   | <u>\$ 334,042</u>       | <u>\$ 33,877</u> | <u>\$ 10,701</u>                           | <u>\$ (23,176)</u>  |

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end, therefore encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require City Manager's approval, while supplemental appropriations require City Council approval.

3. The actual amounts on the budgetary comparison schedules differ from the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance due to a difference in the presentation of the General Fund. In the governmental fund statements, the General Fund includes the

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Cemetery General Account. This account did not meet the definition of special revenue funds as defined in GASB 54. The detail of the differences is as follows:

|   |                     |
|---|---------------------|
| Resources - Budgetary Comparison Schedule                                       | \$ 1,492,458        |
| Cemetery General Account revenue  | 59,575              |
| Deduct transfers in   | <u>(720,002)</u>    |
| Revenue - Statement of Revenues, Expenditures, and Changes in Fund Balance      | <u>\$ 832,031</u>   |
| <br>  |                     |
| Charges to appropriations - Budgetary Comparison Schedule                       | \$ 1,493,552        |
| Cemetery General Account expenditures   | 64,791              |
| Police debt payment reclassification  | 9,531               |
| Deduct transfers out  | <u>(169,384)</u>    |
| Expenditures - Statement of Revenues, Expenditures, and Changes in Fund Balance | <u>\$ 1,398,490</u> |

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**Combining Balance Sheet – Nonmajor Funds (Modified Cash Basis) – June 30, 2014**

|  | <b>Capital Project<br/>Fund</b> | <b>Debt Service<br/>Fund</b> |  | <b>Capital Outlay<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------------------|------------------------------|--|--------------------------------|---|
|  | <b>CDBG Fund</b>                |                              |  | <b>Capital Outlay<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
| <b>ASSETS</b>                            |                                 |                              |  |                                |   |
| Cash and cash equivalents                | \$ 100                          |                              |  | \$ 4,062                       | \$ 4,162                                |
| Total assets                             | 100                             |                              |  | 4,062                          | 4,162                                   |
| <br><b>LIABILITIES AND FUND BALANCES</b> |                                 |                              |  |                                |   |
| Total liabilities                        | -                               |                              |  | -                              | -                                       |
| Fund balances:                           |                                 |                              |  |                                |   |
| Restricted for:                          |                                 |                              |  |                                |   |
| Debt service                             | -                               |                              |  | 4,062                          | 4,062                                   |
| Assigned                                 | 100                             |                              |  | -                              | 100                                     |
| Total fund balances                      | 100                             |                              |  | 4,062                          | 4,162                                   |
| Total liabilities and fund balances      | \$ 100                          |                              |  | \$ 4,062                       | \$ 4,162                                |

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds**  
**(Modified Cash Basis) – Year Ended June 30, 2014**

|   | <b>Capital Project<br/>Fund</b> | <b>Debt Service<br/>Fund</b>   | <b>Total-Other<br/>Governmental<br/>Funds</b> |
|---|---------------------------------|--------------------------------|---|
|   | <b>CDBG Fund</b>                | <b>Capital Outlay<br/>Fund</b> |   |
| <b>REVENUES</b>                                   |                                 |                                |   |
| Investment income                                 | \$ -                            | \$ 7                           | \$ 7  |
| Total revenues                                    | -                               | 7                              | 7   |
| <b>EXPENDITURES</b>                               |                                 |                                |   |
| Debt Service:                                     |                                 |                                |   |
| Principal   | -                               | 14,733                         | 14,733  |
| Interest and other charges                        | -                               | 424                            | 424   |
| Total Expenditures                                | -                               | 15,157                         | 15,157  |
| Excess (deficiency) of revenues over expenditures | -                               | (15,150)                       | (15,150)                                      |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                                 |                                |   |
| Transfers in                                      | -                               | 15,365                         | 15,365  |
| Total other financing sources and uses            | -                               | 15,365                         | 15,365  |
| Net change in fund balances                       | -                               | 215                            | 215   |
| Fund balances - beginning                         | 100                             | 3,847                          | 3,947   |
| Fund balances - ending                            | \$ 100                          | \$ 4,062                       | \$ 4,162                                      |

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**Combining Schedule of Balance Sheet Accounts – General Fund Accounts (Modified Cash Basis) – June 30, 2014**

|                                      | <b>General Fund</b> | <b>Cemetery<br/>General<br/>Account</b> | <b>Total</b> |
|--------------------------------------|---------------------|---|--------------|
| <b>ASSETS</b>                        |                     |   |              |
| Cash and cash equivalents            | \$ 11,628           | \$ 2,094                                | \$ 13,722    |
| Total assets                         | 11,628              | 2,094                                   | 13,722       |
| <br>                                 |                     |   |              |
| <b>LIABILITIES AND FUND BALANCES</b> |                     |   |              |
| Liabilities:                         |                     |   |              |
| Due to other funds                   | -                   | 2,166                                   | 2,166        |
| Due to other governments             | 633                 | -                                       | 633          |
| Due to bondholders                   | 294                 | -                                       | 294          |
| Total liabilities                    | 927                 | 2,166                                   | 3,093        |
| <br>                                 |                     |   |              |
| Fund balances:                       |                     |   |              |
| Assigned                             | 2,210               | -                                       | 2,210        |
| Unassigned (deficit)                 | 8,491               | (72)                                    | 8,419        |
| Total fund balances                  | 10,701              | (72)                                    | 10,629       |
| Total liabilities and fund balances  | \$ 11,628           | \$ 2,094                                | \$ 13,722    |

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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2014**

|   | <u>General Fund</u> | <u>Cemetery<br/>General</u> | <u>Total</u>     |
|---|---------------------|-----------------------------|------------------|
| <b>REVENUES</b>                                   |                     |                             |                  |
| Taxes   | \$ 551,493          | \$ -                        | \$ 551,493       |
| Intergovernmental                                 | 85,212              | -                           | 85,212           |
| Charges for services                              | 88,526              | 47,925                      | 136,451          |
| Fines and forfeitures                             | 12,707              | -                           | 12,707           |
| Licenses and permits                              | 3,274               | -                           | 3,274            |
| Investment income                                 | 5                   | 625                         | 630              |
| Miscellaneous                                     | 31,239              | 11,025                      | 42,264           |
| Total revenues                                    | <u>772,456</u>      | <u>59,575</u>               | <u>832,031</u>   |
| <b>EXPENDITURES</b>                               |                     |                             |                  |
| General government                                | 87,112              | -                           | 87,112           |
| Public Safety                                     | 549,779             | -                           | 549,779          |
| Highway and streets                               | 389,598             | -                           | 389,598          |
| Culture and recreation                            | 256,251             | -                           | 256,251          |
| Cemetery  | -                   | 64,791                      | 64,791           |
| Airport   | 4,327               | -                           | 4,327            |
| Capital Outlay                                    | 32,049              | -                           | 32,049           |
| Debt Service:                                     |                     |                             |                  |
| Principal   | 13,473              | -                           | 13,473           |
| Interest and other charges                        | 1,110               | -                           | 1,110            |
| Total Expenditures                                | <u>1,333,699</u>    | <u>64,791</u>               | <u>1,398,490</u> |
| Excess (deficiency) of revenues over expenditures | <u>(561,243)</u>    | <u>(5,216)</u>              | <u>(566,459)</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                             |                  |
| Transfers in                                      | 729,533             | 7,040                       | 736,573          |
| Transfers out                                     | <u>(169,384)</u>    | <u>-</u>                    | <u>(169,384)</u> |
| Total other financing sources and uses            | <u>560,149</u>      | <u>7,040</u>                | <u>567,189</u>   |
| Net change in fund balances                       | (1,094)             | 1,824                       | 730              |
| Fund balances (deficit) - beginning               | 11,795              | (1,896)                     | 9,899            |
| Fund balances (deficit) - ending                  | <u>\$ 10,701</u>    | <u>\$ (72)</u>              | <u>\$ 10,629</u> |

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**Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – For the Year Ended June 30, 2014**

| Federal/State Grantor/Pass Through Agency<br>Grantor/Program Title | Federal<br>CFDA<br>Number | Grant #         | Award<br>Amount  | Awards<br>Expended |
|--|---------------------------|-----------------|------------------|--------------------|
| <b>FEDERAL AWARDS:</b>   |                           |                 |                  |                    |
| <u>U.S DEPARTMENT OF JUSTICE:</u>                                  |                           |                 |                  |                    |
| Passed through District Attorneys Council-JAG LLE Grant            | 16.738                    | 2011-DJ-BX-2229 | 9,355            | 9,355              |
| <b>Total Federal Awards</b>  |                           |                 | <u>\$ 9,355</u>  | <u>\$ 9,355</u>    |
| <br><b>STATE AWARDS:</b>   |                           |                 |                  |                    |
| <u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>                         |                           |                 |                  |                    |
| Rural Fire Grant   |                           |                 | \$ 4,474         | \$ 4,474           |
| <u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>                           |                           |                 |                  |                    |
| FY 2014 State Aid  |                           |                 | 7,419            | 7,419              |
| <u>ASSOCIATION OF SOUTH CENTRAL OKLAHOMA GOVERNMENTS:</u>          |                           |                 |                  |                    |
| REAP Grant - Water Treatment Plant Lagoons                         |                           | 2012 REAP       | 45,000           | 2,149              |
| <b>Total State Awards</b>  |                           |                 | <u>\$ 56,893</u> | <u>\$ 14,042</u>   |

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As of and for the Year Ended June 30, 2014**

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**Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2014**

| <b>DEBT SERVICE COVERAGE:</b>  | <b>OWRB<br/>Series 2009<br/><u>Promissory Note</u></b> |
|--|--|
| <b>GROSS REVENUE AVAILABLE:</b>  |  |
| Charges for services (all utility services)  | 3,305,708  |
| Investment income  | 62,617   |
| Sales tax appropriated and transferred from the City General Fund                  | <u>169,384</u>   |
| Total Gross Revenue Available  | <u>3,537,709</u>                                       |
| <b>OPERATING EXPENSES:</b>   |  |
| Total Operating Expenses   | <u>2,774,923</u>                                       |
| Net Revenue Available for Debt Service   | <u><u>\$762,786</u></u>                                |
| Maximum Annual Debt Service on all Obligations Payable From Revenues of the System | <u><u>\$53,533</u></u>                                 |
| Computed Coverage  | <u><u>1425%</u></u>                                    |
| Coverage Requirement   | <u><u>125%</u></u>                                     |

The 2009 OWRB Promissory Notes have a coverage requirement of 125%. Therefore, at June 30, 2014, the City met the coverage requirement.

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As of and for the Year Ended June 30, 2014

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**INTERNAL CONTROL AND COMPLIANCE**



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE ACCOMPANYING FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the City Council  
City of Walters, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Walters, Oklahoma, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 22, 2014. The report was a special report on the City's use of a comprehensive basis of accounting, other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedure that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

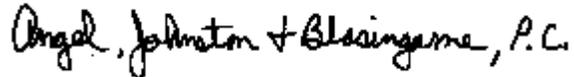
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma  
October 22, 2014

**CITY OF WALTERS, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2014**

**Deficiencies of Internal Control, Compliance and Other Matters:**

**There were no significant or material findings to report.**

**CITY OF WALTERS, OKLAHOMA  
DISPOSITION OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2014**

**Deficiencies of Internal Control, Compliance and Other Matters**

13-1. Criteria – A monthly utility billing and collection reconciliation is performed to identify possible issues with the processes.

Condition – For the month of June, 2013 the accounts receivable carry forward balance began to be off approximately \$15,000. However, this difference was not identified in the client's reconciliation procedure.

Disposition – This was not noted in the 2013-14 year.